

Message Text

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ACTION EB-08

INFO OCT-01 ISO-00 AF-10 ARA-10 EA-07 EUR-12 NEA-10
L-03 FRB-03 OMB-01 ITC-01 SP-02 AGRE-00 AID-05
CIAE-00 COME-00 INR-07 IO-13 LAB-04 NSAE-00
OIC-02 SIL-01 STR-04 TRSE-00 CEA-01 SS-15 NSC-05
SSO-00 NSCE-00 INRE-00 USIE-00 XMB-02 OPIC-03 H-01
/131 W

-----012756 300328Z /62

O R 291709Z JUL 77
FM AMEMBASSY LONDON
TO SECSTATE WASHDC IMMEDIATE 6652
INFO AMEMBASSY BRUSSELS
AMEMBASSY MANILA
AMEMBASSY TOKYO
AMEMBASSY BANGKOK
AMEMBASSY BRASILIA
AMEMBASSY BUENOS AIRES
AMEMBASSY CAIRO
AMEMBASSY CANBERRA
AMCONSUL DURBAN
AMEMBASSY GUATEMALA
USMISSION GENEVA
AMEMBASSY MOSCOW
AMEMBASSY NEW DELHI
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY PORT LOUIS
AMEMBASSY PRETORIA
AMCONSUL RIO DE JANEIRO
AMEMBASSY SANTO DOMINGO
AMEMBASSY SUVA
AMEMBASSY MBABANE
AMEMBASSY MEXICO

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USOECD
USEEC

FOR: EB/TRP

C O R R E C T T D C O P Y (TEXT PARA 2)

E.O. 11652: N/A

TAGS: EPAP, ETRD, ISO

SUBJECT: SUGAR - LONDON CONSULTATIONS END IN AGREEMENT TO
RECONVENE CONFERENCE

REF: LONDON 12384

1. LONDON SUGAR CONSULTATIONS ENDED JULY 29 WITH SUGAR CONFERENCE CHAIRMAN, JONES-PARRY, ANNOUNCING HIS CONCLUSION THAT SUFFICIENT PROGRESS HAD BEEN MADE ON KEY ISSUES TO WARRANT RECONVENING THE FULL CONFERENCE IN GENEVA STARTING SEPTEMBER 12. JONES-PARRY'S RECOMMENDATION WAS ACCEPTED WITHOUT DEBATE AND THE MEETING ADJOURNED IN AN ATMOSPHERE OF OPTIMISM THAT A NEW INTERNATIONAL SUGAR AGREEMENT CAN BE CONCLUDED IN SEPTEMBER.

2. CONSIDERABLE PROGRESS WAS MADE DURING THE 10 DAY CONSULTATIONS ON THE KEY ISSUE OF RESERVE STOCK LEVELS AND THEIR FINANCING. EXPORTERS ACCEPTED THE U.S. PROPOSAL FOR THE ESTABLISHMENT OF A STABILIZATION FEE TO FINANCE STOCKHOLDING. EXPORTERS PROPOSED THAT THE FEE BE SET AT A LEVEL SUFFICIENT TO COVER A PAYMENT OF 1.5 (ONE POINT FIVE) CENTS PER POUND PER YEAR TO COVER CARRYING COSTS OF SUGAR STORED. MOST EXPORTERS APPEARED WILLING TO ACCEPT SUCH PAYMENTS AS A NON-INTEREST BEARING LOAN UNTIL SUGAR SOLD IN UPPER BAND OF PRICE RANGE. SOME SMALLER EXPORT-LIMITED OFFICIAL USE

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ERS, AS WELL AS BRAZIL, HOWEVER, CONTINUED TO MAINTAIN SUCH PAYMENTS SHOULD BE IN FORM OF A GRANT. AFTER A DAY AND A HALF IN CAUCUS, EXPORTERS AS A GROUP ACCEPTED A RESERVE STOCK LEVEL OF 2.5 MILLION TONS PLUS WHATEVER COULD BE NEGOTIATED WITH THE EEC. THE U.S., SUPPORTED BY CANADA AND JAPAN, DECIDED NOT TO LOWER STOCK LEVEL PROPOSAL BELOW 3 MILLION TONS IN VIEW OF UNCERTAINTY ABOUT EC POSITIONS AND UNSETTLED STATUS OTHER ISSUES.

3. REPORTS FROM BRUSSELS THAT THE EEC WILL RECONSIDER ITS MANDATE ON SUGAR NEGOTIATIONS IN EARLY SEPTEMBER WITH A VIEW TOWARD ADOPTING A MORE FORTHCOMING POSITION ARE ENCOURAGING AND COULD WELL FACILITATE A SOLUTION OF THE STOCK LEVEL IMPASSE. WE WOULD EXPECT THE EEC ASSUME A STOCK LEVEL RESPONSIBILITY OF UP TO ONE MILLION TONS IN LIEU OF EXPORT QUOTAS. THIS WOULD BRING TOTAL RESERVE

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 6653

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STOCKS TO ABOUT 3.5 MILLION TONS, WELL WITHIN THE RANGE
ACCEPTABLE TO THE U.S. AND OTHER MAJOR IMPORTERS.

4. THE QUESTION OF QUOTA ALLOCATION TO EXPORTING MEMBERS
WAS DISCUSSED ONLY IN GENERAL TERMS. IT WAS AGREED TO
LEAVE THE DIFFICULT TASK TO JONES-PARRY WHO WILL PRESENT
A "CHAIRMAN'S PROPOSAL" ON QUOTA ALLOCATION IN THE FIRST
48 HOURS OF THE RESUMED CONFERENCE. IN PRIVATE DISCUSS-
IONS WITH THE U.S., THE CUBANS IDENTIFIED THIS ISSUE AS
KEY, BUT ALSO INDICATED CONSIDERABLE FLEXIBILITY AND
REALISM.

5. ON THE PRICE AND QUOTA MECHANISM, BRAZIL AND AUSTRALIA
CONFIRMED THE UNDERSTANDING THEY HAD REACHED WITH THE U.S.
JAPAN AND CANADA IN GENEVA. CUBA WAS NOT A PARTY TO THE
GENEVA UNDERSTANDING, BUT DID MOVE CONSIDERABLY IN THAT
DIRECTION BY INDICATING IT WAS NOW WILLING TO ACCEPT A
MINIMUM PRICE OF 13 CENTS AND AUTOMATIC QUOTA SUSPENSION
AT THE MID-POINT OF THE PRICE RANGE.

6. ONLY PERFUNCTORY ATTENTION WAS GIVEN TO THE QUESTION
OF PREFERENTIAL ARRANGEMENTS AND MARKET ACCESS. THESE
ISSUES WILL HAVE TO BE RESOLVED IN GENEVA.

7. A GREAT DEAL OF INTEREST WAS EXPRESSED PRIVATELY TO
THE U.S. DELEGATION BY A NUMBER OF OTHER DELS ON THE
LEGISLATIVE DEVELOPMENTS IN THE U.S. CONGRESS. THESE
DELEGATIONS WERE RECEIVING DIRECT AND OFTEN CONFLICTING
REPORTS FROM THEIR EMBASSIES AND LOBBIESTS IN WASHINGTON.
WHILE THIS CREATED A GOOD DEAL OF CONFUSION, IT DID NOT,
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IN THE END, HAVE A DECISIVE EFFECT ON THE DISCUSSIONS.

8. THE ATMOSPHERE IN LONDON WAS MUCH MORE POSITIVE AND
CONSTRUCTIVE THAN GENEVA. CUBA, IN PARTICULAR, SHOWED
CONSIDERABLE MOVEMENT AND GREATLY INCREASED FLEXIBILITY.
OTHER EXPORTERS SHOWED MORE REALISM IN THEIR ASPIRATIONS.
THE U.S. AND MANY OTHER DELEGATIONS HAVE CONCLUDED THAT
CHANCES FOR A NEW ISA ARE MUCH IMPROVED. THERE REMAIN A
FEW UNCERTAINTIES SUCH AS QUOTA ALLOCATION, THE ROLE OF
THE EC, PREFERENTIAL ARRANGEMENTS AND SPECIAL TREATMENT
FOR LDC IMPORTERS (RAISED BY EGYPT), BUT ON THE WHOLE,
NONE OF THESE SHOULD BE INSUPERABLE. BREWSTER

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Message Attributes

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Disposition Approved on Date:
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